

Message Text

CONFIDENTIAL

PAGE 01 BONN 14927 151904Z

71

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 ARA-16 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 CEA-02 STR-08 DRC-01 /225 W

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TO SECSTATE WASHDC 8059

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C O N F I D E N T I A L BONN 14927

E.O. 11652: GDS

TAGS: EGEN, EAID

SUBJECT: DAC EXPROPRIATION POLICY STATEMENT

REF: BONN 2933 (MARCH 1972); BONN 2952 (MARCH 1972)

1. VISITING US DELEGATION TO ADB MEETING RAISED THE POSSIBILITY OF THE DAC HIGH LEVEL GROUP ENDORSING A STRONG STATEMENT ON EXPROPRIATION POLICY WITH MOLTRECHT, DEPUTY ASSISTANT SECRETARY OF THE MINISTRY OF ECONOMIC COOPERATION. IN RESPONDING, MOLTRECHT EMPHASIZED THE SENSITIVITY OF THE SUBJECT BUT ADDED HIS BELIEF THAT A POSITIVE RESULT MIGHT BE ACHIEVED AT THE MEETING IF CHAIRMAN MARTIN WERE TO FORMULATE THE PROPOSAL CAUTIOUSLY.

2. MOLTRECHT ADDED THAT SUPPORT FOR INCLUDING AN INVESTMENT STUDY IN THE DAC FY 1974 WORK PROGRAM MIGHT BE FORTHCOMING IF GUIDELINES WERE EXPRESSED IN TERMS OF FACTORS STIMULATING PRIVATE INVESTMENT TO PROMOTE DEVELOPMENT AMONG WHICH WOULD BE LDC INVESTMENT
CONFIDENTIAL

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PAGE 02 BONN 14927 151904Z

CLIMATE, INCLUDING REASONABLE POLICIES ON COMPENSATION

FOR EXPROPRIATED PROPERTY. HE DOUBTED THAT ANY MORE DIRECT FORMULATION WOULD BE ACCEPTABLE TO THE SCANDANAVIANS OR POSSIBLY TO OTHER DAC MEMBERS.

3. EMBASSY COMMENT: REFTELS PROVIDED AN ANALYSIS OF THE FRG'S EXPROPRIATION POLICY AND SUMMARIZED THE FRG'S THINKING AS FOLLOWS: QUOTE THE FRG COMES READILY TO THE CONCLUSION THAT ITS BEST TACTIC FOR PROTECTING BOTH ITS INVESTORS AND ITS OVERALL INTERESTS IN DEVELOPING COUNTRIES LIES IN NOT ALIGNING THE FRG TOO CLOSELY WITH THE INTERESTS OF GERMAN PRIVATE INVESTORS AND AVOIDING FRG INVOLVEMENT IN JOINT ACTIONS, WHICH ARE LIKELY, AS BONN SEES IT, TO ENTAIL BRINGING THE FRG INTO CONFLICTS THAT INVOLVE ESSENTIALLY THE INTERESTS OF OTHERS END QUOTE.

4. OVER THE PAST EIGHTEEN MONTHS, THERE HAS BEEN NO PERCEPTIBLE CHANGE IN THE FRG VIEW ON THIS SUBJECT. THE PRINCIPAL EXPONENT OF THIS POLICY IS THE MINISTER OF ECONOMIC COOPERATION ERHARD EPPLER WHO WILL HEAD THE GERMAN DELEGATION TO THE HLG MEETING. GIVEN THE CONSISTENT NATURE OF FRG POLICY IN THIS AREA AND EPPLER'S PUBLICALLY EXPRESSED SKEPTICISM ABOUT THE BENEFITS OF FOREIGN PRIVATE INVESTMENT IN THE DEVELOPMENT PROCESS, WE VIEW IT AS UNLIKELY THAT EPPLER WOULD SUPPORT A STRONG DAC STATEMENT ON EXPROPRIATION POLICY. IN FACT, ANY STATEMENT WHICH EPPLER WOULD SUPPORT IS LIKELY TO BE SO WATERED DOWN THAT IT COULD BE WORSE THAN NO STATEMENT AT ALL, IF THE US OBJECTIVE IS TO PRESERVE A COHERENT FRONT OF INDUSTRIAL COUNTRIES INTENT ON PROTECTING THEIR OVERSEAS INVESTORS.
HILLENBRAND

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